

**GCE**

**New Business**

**H431/02: The UK business environment**

Advanced GCE

**Mark Scheme for November 2020**

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



This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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## Annotations

	Blank page
	Tick
	Cross
	Highlighting tool
	Not answered question
	Own Figure Rule
	Benefit of Doubt
	Repeat
	Noted but no credit given
	Too vague/No use of context
	Unclear
	Knowledge
	Application of knowledge and understanding
	Analysis
	Developed Analysis
	Evaluation
	Effective evaluation

**EVERY PAGE, INCLUDING BLANK PAGES (use the BP annotation), MUST HAVE SOME ANNOTATION**

Please ensure that, wherever possible, annotations are placed in the margins and not over the candidate's answer. This makes it very difficult to read when the paper is printed out in black & white.

**[Questions 1-7, & 11(a) should be annotated with ticks, crosses, BOD, REP, TV, OFR, NAQ or ?. The number of ticks plus OFR MUST match the final mark awarded for that question. Ticks MUST NOT be used in Questions 8-10, 11(b), 12 & 13.]**

**IT IS VITAL THAT YOU SHOW AS MUCH ANNOTATION ON EACH PAGE AS POSSIBLE. IN PARTICULAR, WHERE AOs ARE REACHED, SO THAT YOUR TEAM LEADER CAN LOOK TO AGREE WITH YOUR FINAL MARK.**

**Subject-specific Marking Instructions****INTRODUCTION**

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

**Levels of response – Level descriptors**

	<b>Knowledge and understanding/ Application</b>	<b>Analysis</b>	<b>Evaluation</b>
<b>Strong</b>		An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides, and reaches a supported judgement.
<b>Good</b>	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
<b>Reasonable</b>	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
<b>Limited</b>	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

**Candidates will be awarded marks for the demonstration of each skill (Knowledge and Understanding/Application/Analysis/Evaluation) according to the level (Strong/Good/Reasonable/Limited) seen. Their overall mark for Levels of Response questions will comprise the total of these four marks.**

**The descriptions in each levels of response question in this mark scheme describe a typical response at the top of that level.**

**INSTRUCTIONS TO EXAMINERS:****A INDIVIDUAL ANSWERS**

- 1 The indicative content indicates the expected parameters for candidates' answers but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Be prepared to use the full range of marks. Do not reserve high Band marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

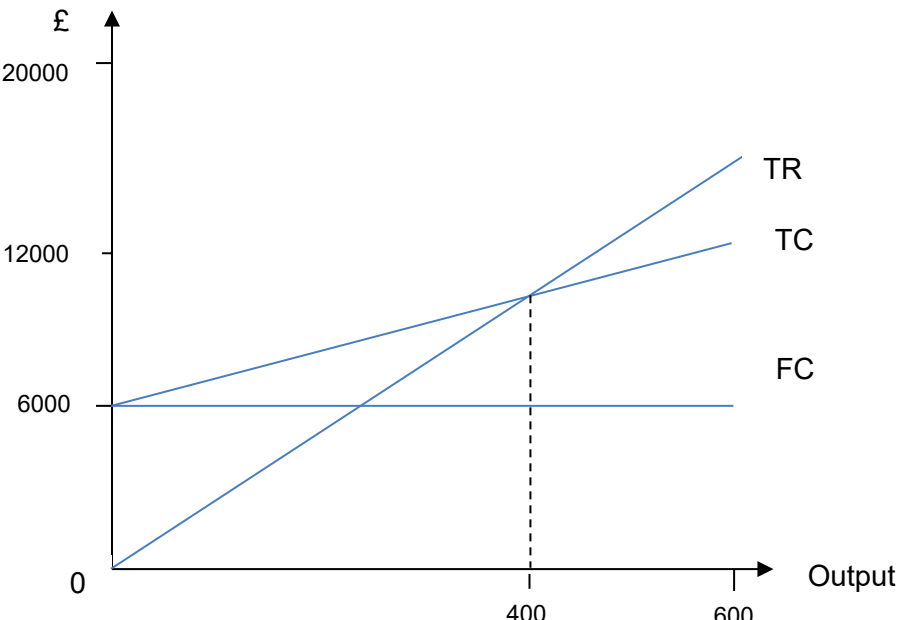
**B TOTAL MARKS**

- 1 The maximum mark for the paper is **80**.
- 2 The quality of extended responses is assessed in parts of this paper. The assessment of this skill is embedded within each of the levels and must be considered when determining the mark within the appropriate level

Answer			Marks	Guidance											
1	<p><b>Complete the following Ansoff's Matrix by filling in the names of the two unshaded quadrants.</b></p> <p>1 mark for each correct answer up to a maximum of 2 marks.</p>		<p><b>2</b> (AO1 2)</p>	<p style="text-align: center;"><b>Market</b></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td colspan="2"></td> <td style="text-align: center;">Existing</td> <td style="text-align: center;">New</td> </tr> <tr> <td rowspan="2" style="vertical-align: middle;"><b>Product</b></td> <td style="text-align: center;">Existing</td> <td style="text-align: center;"><b>Penetration or Consolidation</b></td> <td style="text-align: center;">Market Development</td> </tr> <tr> <td style="text-align: center;">New</td> <td style="text-align: center;">Product Development</td> <td style="text-align: center;"><b>Diversification</b></td> </tr> </table>			Existing	New	<b>Product</b>	Existing	<b>Penetration or Consolidation</b>	Market Development	New	Product Development	<b>Diversification</b>
		Existing	New												
<b>Product</b>	Existing	<b>Penetration or Consolidation</b>	Market Development												
	New	Product Development	<b>Diversification</b>												
2	<p><b>State two sampling methods which a business may use when carrying out market research.</b></p> <p>1 mark for each correct answer up to a maximum of 2 marks.</p>		<p><b>2</b> (AO1 2)</p>	<p>Methods include:</p> <ul style="list-style-type: none"> <li>• Random</li> <li>• Stratified</li> <li>• Cluster or Multi-stage</li> <li>• Systematic</li> <li>• Quota</li> <li>• Convenience/Opportunity</li> </ul> <p style="text-align: right;"><b>ARA</b></p>											
3	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;">Month</th> <th style="width: 30%;">Number of full-time employees</th> <th style="width: 50%;">Total units of output</th> </tr> </thead> <tbody> <tr> <td>March</td> <td style="text-align: center;">420</td> <td style="text-align: center;">3528</td> </tr> <tr> <td>February</td> <td style="text-align: center;">430</td> <td style="text-align: center;">3440</td> </tr> </tbody> </table>	Month	Number of full-time employees	Total units of output	March	420	3528	February	430	3440	<p><b>Calculate the labour productivity for March. Show your workings.</b></p> <p>2 marks for correct answer (with or without workings)</p> <p>1 mark for an answer which clearly shows an attempt to use the correct two numbers</p>	<p><b>2</b> (AO1 1) (AO2 1)</p>	<p>Productivity = <math>\frac{\text{Output}}{\text{Employees}}</math></p> $= \frac{3528}{420}$ <p style="text-align: center;"><b>= 8.4 (units per worker) [Accept answer of 8]</b></p> <p>For the final answer to be rewarded it must NOT contain any units</p>		
Month	Number of full-time employees	Total units of output													
March	420	3528													
February	430	3440													

	Answer	Marks	Guidance
4	<p><b>Explain two possible reasons why a business may produce a business plan.</b></p> <p>1 mark for each correct reason up to a maximum of 2 reasons, plus a further 1 mark for each of two developmental points.</p> <p>Make sure the two reasons are clearly different (e.g. the same issue but referenced to different stakeholders)</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Reasons include:</p> <ul style="list-style-type: none"> <li>• Requires a strategic review of the business (1) – this considers how well each part of the business is performing (1)</li> <li>• Helps to set objectives/aims (1) – to focus the business’ efforts/direction in the future (1)</li> <li>• Gives a sense of direction (1) – so the business keeps a focus on its aims/ help to make decisions/motivate employees (1)</li> <li>• Forces managers to consider constraints (1) – may help them to decide on how to remove or minimise them (1)</li> <li>• To provide information to external bodies (1) – to help raise finance from banks or investors (1)</li> </ul> <p style="text-align: right;"><b>ARA</b></p>
5	<p><b>Other than a zero hours contract, explain two flexible working practices which may be used by a business.</b></p> <p>1 mark for each correct example up to a maximum of 2 examples, plus a further 1 mark for each of two developmental points.</p> <p>Make sure the two examples are clearly different.</p> <p>Do NOT accept zero hours contracts as they are in the question</p> <p>Shift work is NOT flexible working</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	<p>Methods include:</p> <ul style="list-style-type: none"> <li>• Flexi-time (1) – employees have some choice about how they achieve their target hours for the week/month (1)</li> <li>• Term-time working (1) – working hours only apply during school term times (1)</li> <li>• Job sharing (1) – e.g. one employee does the job in the morning and another one does the afternoon (1)</li> <li>• Remote/online/home working (1) – the employee is allowed to do some or all their job from home (1)</li> <li>• Compressed hours (1) – e.g. a normal working week of 5 days is compressed into 4 days (1)</li> <li>• Annualised hours (1) – a total number of hours for the year which will vary from week to week dependent on work requirements (1)</li> <li>• Structured time off in lieu (1) – employees work for longer hours during busy periods but gain time off in lieu during less busy periods (1)</li> <li>• Part-time working (1) – employees work fewer hours than a standard working week on a regular basis (1)</li> <li>• Flexible working (1) – allows the employee to move on without constraints (1)</li> </ul> <p style="text-align: right;"><b>ARA</b></p>



	Answer	Marks	Guidance
<p><b>6</b></p>	<p><b>Construct a break-even graph in the space below. You must identify the break-even level of output and label any lines drawn.</b></p> <p>1 mark for correctly drawing and labelling the TR line (accept price or price per unit)</p> <p>2 marks for correctly drawing and labelling the TC line (1 mark if only the VC line is correctly drawn)</p> <p>1 mark for correctly indicating the break-even level of output is 400 units (<b>OFR</b>) even if diagram is wrong or not drawn/complete</p> <p>NB: There is no need to draw the FC or VC lines</p>	<p><b>4</b> (AO1 2) (AO2 2)</p>	
<p><b>7</b></p>	<p><b>Define the term 'trading bloc'.</b></p> <p>2 marks for a clear definition</p> <p>1 mark for an answer which has a basic idea of the term</p> <p>1 mark for an example</p>	<p><b>2</b> (AO1 2)</p>	<p><b>Exemplar responses</b></p> <p>Two or more countries which agree to reduce trade barriers (1) on all goods/services traded between them (1)</p> <p>Free trade occurs within the area (1) with no tariffs when trading with each other (1)</p> <p>A group of countries in a geographical region which protect themselves (1) against imports from non-members (1)</p> <p>It is a free trade area (1)</p> <p>A customs union/common market is a trading bloc (1)</p>

	Answer	Marks	Guidance
8	<p><b>Analyse one consequence for Domino’s of its market share shown in Fig.1.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one possible consequence for Domino’s of its market share.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of one possible consequence for Domino’s of its market share.</p> <p>(NB – award <b>one</b> mark for a non–contextualised consequence)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>Domino’s has a 40% market share (and is the market leader) amongst the four largest pizza delivery firms. Possible consequences of this include:</p> <ul style="list-style-type: none"> <li>• It may be able to better attract potential franchisees</li> <li>• It will have a strong brand identity so that it is easier to attract new customers</li> <li>• They may be subject to investigation by the UK Competition authorities who may require the business to reduce parts of its operations or change the way it operates</li> <li>• May allow them to benefit from economies of scale</li> <li>• Marketing strategy (e.g. able to set a higher price due to it being the dominant form or it needs to carry out strategy to retain its position of leadership) may be affected as they are the market leader</li> </ul> <p><b>Exemplar responses:</b> It can attract franchisees (<b>K</b>) as it is the market leader (<b>APP</b>). This may mean that Domino’s can spend less time and effort (<b>AN</b>) on this task so money can be spent on other activities (<b>AN</b>).</p> <p>Domino’s may be the centre of a competition investigation by the CMA (<b>K</b>) due to its 40% market share (<b>APP</b>). This may lead to Domino’s having to spend time helping the investigation (<b>AN</b>) which may distract its management from the challenges it currently faces in the market (<b>AN</b>).</p> <p>Allow consideration of a consequence for any function of Domino’s operations (including its franchises).</p> <p>Do NOT reward answers which suggest Domino’s will have a high level of sales – this is already true and not a <u>consequence</u>.</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
9	<p><b>Analyse one way in which seasonal or cyclical variations may affect Domino's ability to forecast its future sales.</b></p> <p><b>Level 2 (3–4 marks)</b> Candidate shows <b>reasonable</b> knowledge and understanding and shows <b>good</b> analysis of one way seasonal/cyclical variations affect Domino's ability to forecast its future sales.</p> <p><b>Level 1 (1–2 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of one way seasonal/cyclical variations affect Domino's ability to forecast its future sales.</p> <p>(NB – award <b>one</b> mark for a non-contextualised answer)</p> <p><b>0 marks</b> no response or no response worthy of credit</p>	<p><b>4</b> (AO1 1) (AO2 1) (AO3 2)</p>	<p>Examples of variations in the contextual material include:</p> <ul style="list-style-type: none"> <li>• Sporting events such as the 2018 World cup</li> <li>• The hot weather during the summer of 2018</li> <li>• Economic/fashion trends which have seen a decline in some parts of the 'casual dining' market</li> <li>• Trends in consumer income ("disposable incomes are flat")</li> </ul> <p>These can cause issues when forecasting future sales:</p> <ul style="list-style-type: none"> <li>• The ability to quantify this data is questionable – just because the weather was hot in 2018 does not mean it will be the same next year or that customers will respond in the same way to it</li> <li>• Moving average or time series analysis techniques do not distinguish between recent and distant information – recent changes in disposable income may be more important than the overall trend</li> <li>• Seasonal or cyclical variations may actually be random variations which cannot be incorporated into forecasts – sales may respond randomly during large sporting events depending on the success of a particular team or athlete</li> </ul> <p><b>Exemplar response:</b> Seasonal variations may not actually be regular or predictable (<b>K</b>) as they depend on the weather. The good 2018 summer (<b>APP</b>) does not automatically mean a good 2019 summer (<b>AN</b>) so Domino's cannot forecast future sales with any degree of certainty (<b>AN</b>).</p> <p>Make sure the knowledge/analysis is for Domino's ability to forecast, as opposed to a general impact on the business (e.g. bad weather makes it harder for delivery drivers.)</p> <p style="text-align: right;"><b>ARA</b></p>

	Answer	Marks	Guidance
10	<p><b>Evaluate the influence of changes in social factors on Domino's operations management.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the influence of changes in social factors on Domino's operations management.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the influence of changes in social factors on Domino's operations management.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of social factors with <b>limited or no</b> analysis and evaluation of their impact on Domino's operations management.</p> <p><b>(NB – award maximum of two marks for a non-contextualised response).</b></p> <p><b>0 marks</b> no response or no response worthy of credit.</p> <p>NB: Ensure that issues considered are <b>changes</b> in social factors rather than a situation that already exists. For example, the level of ethnicity in different areas of the UK may affect the business, but has it changed?</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>Changes in social factors may include:</p> <ul style="list-style-type: none"> <li>• Demographic and population-based changes such as health</li> <li>• Changes in work patterns</li> <li>• Changes in the <u>use</u> of technology</li> <li>• Changes in consumption trends</li> </ul> <p>There is a significant amount of context about changes in social factors relevant to Domino's and its market, including:</p> <ul style="list-style-type: none"> <li>• Extract A refers to proposals by the government to introduce calorie information on menus. This may mean that Domino's will have to carry out an accurate assessment of how many calories each of its products contains which may reduce productivity but also act as an improved quality standard. It may also lead to decisions about what products are retained or added to the menu which may have implications for stock control and production design.</li> <li>• The rapid growth of the home delivery food sector (and pizza delivery is a major part of it) is another social change. This has already had implications for Domino's with regards to its delivery and logistics. For example, the introduction of the GPS tracking technology may have changed how managers operate their delivery services to make the business have better lean production methods.</li> <li>• There is also reference to trends in casual dining (with the downsizing or closure of some well-known names), increases in the national living wage and the levelling off of disposable income. All of these may affect how managers operate and deliver Domino's products.</li> </ul> <p>Evaluation is likely to come from questioning the significance of the change for Domino's. For example, as the largest firm in the pizza delivery industry, Domino's may easily have the necessary resources to conform with the laws about calories on menus. It may be able to learn from the experience of Pizza Express carrying out this change voluntarily. Domino's may even eye this as an opportunity as many of its competitors are much smaller and may struggle to conform with the law.</p>

Answer		Marks	Guidance
			<p>However, with 79% of its sales now coming from online demand, Domino's needs to ensure that its operations function is able to cope with this, otherwise it will quickly lose out to its other competitors.</p> <p>Allow a loose interpretation of what is a social factor but do not allow legal factors.</p> <p style="text-align: right;"><b>ARA</b></p>
11	ai	<p><b>2</b> (AO1 1) (AO2 1)</p>	<p>Current ratio = <math>\frac{\text{Current Assets}}{\text{Current Liabilities}}</math></p> <p style="text-align: center;">= <math>\frac{\underline{\pounds 87m}}{\pounds 135.3m}</math></p> <p style="text-align: center;">= <b><u>0.64</u> [Accept 0.6 or 0.64:1 or 0.6:1]</b></p> <p>No units for full marks</p>
	aii	<p><b>2</b> (AO1 1) (AO2 1)</p>	<p>Stock turnover period = <math>\frac{\text{Inventories} \times 365}{\text{Cost of sales}}</math></p> <p style="text-align: center;">= <math>\frac{\underline{\pounds 8.4m} \times 365}{\pounds 280.7m}</math></p> <p style="text-align: center;">= <b><u>10.9 days</u> [Accept 11]</b></p> <p><i>Alternative formula</i></p> <p style="text-align: center;"><math>\frac{\text{Cost of sales}}{\text{Inventories}} = \frac{\underline{\pounds 280.7m}}{\pounds 8.4m} = \underline{\underline{33.4}}</math> [Accept 33]</p> <p>No units for full marks using this formula</p>

Answer		Marks	Guidance																														
11*	<p><b>b</b></p> <p><b>Evaluate the financial position of Domino's.</b></p> <p><b>Level 3 (11–15 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of Domino's financial position.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of Domino's financial position.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of financial data with <b>limited or no</b> analysis and evaluation of how it represents Domino's financial position.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum</b> of <b>two</b> marks for non-contextualised methods.</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p>The following financial data is available. Data in italics can be calculated from the information provided in the case study.</p> <table border="1"> <thead> <tr> <th></th> <th>2016</th> <th>2017</th> </tr> </thead> <tbody> <tr> <td>Current ratio</td> <td>0.89</td> <td>0.64 (<b>OFR</b>)</td> </tr> <tr> <td>Gross profit margin</td> <td>40.2%</td> <td>40.9%</td> </tr> <tr> <td>Net profit margin</td> <td>23.0%</td> <td>15.9%</td> </tr> <tr> <td>Return on capital employed</td> <td>48.3%</td> <td>30.7%</td> </tr> <tr> <td>Gearing ratio</td> <td>37.7%</td> <td>73.7%</td> </tr> <tr> <td>Creditor turnover period</td> <td>100 days</td> <td>112 days</td> </tr> <tr> <td>Stock turnover period</td> <td>15.7 days</td> <td>10.9 days (<b>OFR</b>)</td> </tr> <tr> <td>Earnings per share</td> <td>13.1 pence</td> <td>13.8 pence</td> </tr> <tr> <td>Dividend per share</td> <td>4.50 pence</td> <td>5.25 pence</td> </tr> </tbody> </table> <p>In addition, we are told that in the first half of 2018, sales have increased by 8.3% and pre-tax profits are £42m (which is slightly more than half of 2017's full year pre-tax profit). This is within a context of a record number of store openings in 2017 and investment in technology, to improve the home delivery experience.</p> <p>This growth may explain the fall in Current ratio and NPM while GPM remained stable, as well as the fall in ROCE and a near doubling of Gearing. The slow-down in the growth rate of new store openings should mean that the worsening of NPM and Gearing will not get significantly worse and give the previous growth a chance to contribute to the bottom line.</p> <p>An increase in creditor turnover period will help Domino's cash flow (although it may damage its relations with suppliers) and the significant fall in stock turnover (by over 30%) suggests it is better managing its stock control which will also aid cash flow.</p> <p>Shareholders and potential investors will be content given the increases in revenue, pre-tax profits, EPS and dividends per share.</p>		2016	2017	Current ratio	0.89	0.64 ( <b>OFR</b> )	Gross profit margin	40.2%	40.9%	Net profit margin	23.0%	15.9%	Return on capital employed	48.3%	30.7%	Gearing ratio	37.7%	73.7%	Creditor turnover period	100 days	112 days	Stock turnover period	15.7 days	10.9 days ( <b>OFR</b> )	Earnings per share	13.1 pence	13.8 pence	Dividend per share	4.50 pence	5.25 pence
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	Answer	Marks	Guidance
	<p><b>0 marks</b> no response or no response worthy of credit.</p> <p>An answer which does not use or make reference to the financial data in the resource booklet cannot be awarded Level 2 or Level 3.</p>		<p>Other ratios for Domino's in 2017 can be calculated (Acid test = 0.58, ROE = 103.3%, Debt collection = 36 days) but no 2016 data is available for these so are relatively meaningless.</p> <p>Some answers may only consider the 2017 financial data without any attempt to compare it with 2016. This approach can still achieve good analysis and evaluation.</p> <p>Better answers are likely to consider the financial data within the context of an expanding business which has invested heavily in technology and new franchisees. Consideration may also be given to what is happening in the rest of the 'casual dining' market (given the evidence about the difficulties of some brands at the start of 2018) and comparative financial data across the sector would have been helpful. Data for Domino's for more than two years would also help as well as data which strips out the growth in stores (like-for-like sales).</p> <p style="text-align: right;"><b>ARA</b></p>
12	<p><b>Evaluate the disadvantages for a franchisee of owning a Domino's franchise.</b></p> <p><b>Level 3 (7–9 marks)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of the disadvantages for a franchisee of owning a Domino's franchise.</p> <p><b>Level 2 (4–6 marks)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of the disadvantage(s) for a franchisee of owning a Domino's franchise.</p> <p><b>Level 1 (1–3 marks)</b> Candidate shows <b>limited</b> knowledge and understanding of disadvantage(s) of owning a</p>	<p><b>9</b> (AO1 2) (AO2 2) (AO3 2) (AO4 3)</p>	<p>There are a number of disadvantages for franchisees:</p> <ul style="list-style-type: none"> <li>Supplies have to be bought from the franchisor which may be cheaper on the open market – Extract B explains how Domino's sell franchisees "...our fresh pizza dough, as well as other food and non-food items."</li> <li>There will be continuing royalty payments and other costs – "We charge our franchisees a royalty fee of their sales." "All our franchisees contribute to a marketing fund..." Both of these will be a drain on the franchisee's profit and cash-flow and may be a significant amount for such a well-known brand.</li> <li>A franchisee has less control over how it operates than a person running their own business – "Franchisees sign a 'Standard Franchise Agreement' for each store", "...ensuring our high brand standards are maintained at all times." "...we recommend a range of advertising and promotional activity to help sales." These comments will mean that the franchisee will have no choice over menu, price or image in their own store which means that s/he is nothing more than a glorified manager, with more financial risk than normal.</li> </ul>

	Answer	Marks	Guidance
	<p>franchise with <b>limited or no</b> analysis and evaluation of the impact on a franchisee.</p> <p><b>(NB – award maximum of two marks for a non-contextualised response).</b></p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<p>Evaluation may come from comparing the disadvantages above with the advantages of being part of a market-leading, fast-growing, financially successful, national chain which made over £81m profit in 2017.</p> <p>It may also come from questioning the issues surrounding the difficult current relationship between franchisees and the parent company in lines xx-yy. If the company boss insists on opening more stores in existing locations, it may well increase the size of the business and its royalty fees but at the cost of cannibalising the current franchisees' market size which may jeopardise the profitability of an individual franchise. This may become less of an issue if the setting up of the 'Franchise Association' is successful.</p> <p style="text-align: right;"><b>ARA</b></p>
13*	<p><b>Evaluate the usefulness of leadership theory if Domino's decides to redesign its 'TeamSkills' programme in the future.</b></p> <p><b>Level 3 (11–15)</b> Candidate shows <b>strong</b> knowledge and understanding, analysis and evaluation of leadership theory which could be used by Domino's in redesigning its 'TeamSkills' programme.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p><b>Level 2 (6–10)</b> Candidate shows <b>good</b> knowledge and understanding, analysis and evaluation of leadership which could be used by Domino's in redesigning its 'TeamSkills' programme.</p>	<p><b>15</b> (AO1 2) (AO2 2) (AO3 4) (AO4 7)</p>	<p><b>NB:</b> Answers may consider other factors, such as management, motivation and organisational structure, but will only reach the bottom half of any level if there is no reference to any specific leadership theory.</p> <p>There are 6 leadership theories mentioned in the specification (although candidates are free to consider others):</p> <ul style="list-style-type: none"> <li>• <b>Carlyle &amp; Galton (trait theory)</b> – leaders possess certain key traits; motivation, integrity, self-confidence, creativity, intelligence <ul style="list-style-type: none"> <li>○ this theory suggests that people are born, rather than trained, to be leaders. This may mean that Domino's 'TeamSkills' programme is a waste of time, as it will not create the leaders of the future for the business. On the other hand, it may be argued that the programme's 5 basic principles are similar to the traits identified by C&amp;G so that those individuals with these skills will be attracted to sign up to the 'TeamSkills' programme.</li> </ul> </li> <li>• <b>McGregor (X &amp; Y)</b> – managers view workers as being of two types <ul style="list-style-type: none"> <li>○ Domino's focus on creating leaders suggests it wants its managers to be Theory Y, seeing workers as willing to accept responsibility and being creative. The fact that 80% of its managers started out as drivers or pizza makers reinforces this view.</li> </ul> </li> <li>• <b>Blake &amp; Moulton</b> – there is a trade-off between how a manager considers people needs to task needs</li> </ul>



	Answer	Marks	Guidance
	<p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><b>Level 1 (1–5)</b> Candidate shows <b>limited</b> knowledge and understanding of leadership theory or methods but with <b>limited or no</b> analysis and evaluation.</p> <p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p><b>NB</b> – award <b>maximum of two</b> marks for a non-contextualised response.</p> <p><b>0 marks</b> no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> <li>○ the nature of the food delivery and casual dining market is speed and efficiency. This will require leaders to have a strong focus on the task needs. However, an ‘impoverished’ leadership style is unlikely to work in such a person-focused business which employs many young and casual staff.</li> <li>● <b>Lewin (leadership styles)</b> – autocratic, democratic, laissez-faire             <ul style="list-style-type: none"> <li>○ the traditional styles of leadership may no longer work in the modern world. However, everything about the ‘TeamSkills’ programme suggests that a democratic style is most appropriate for Domino’s managers, as there is reference to “transparent and open communications” although there is still a need for an autocratic style at times, so that “effective decision making and problem solving” is carried out.</li> </ul> </li> <li>● <b>Tannenbaum &amp; Schmidt (behavioural continuum)</b> – tell, sell, consult, participate             <ul style="list-style-type: none"> <li>○ there is certainly a greater focus on the ‘consult’ and ‘participate’ elements of T&amp;S’s model at Domino’s due to the ‘hints and tips’ available, the use of downloadable workbooks and the presence of “influencing and inspiring team members” as one of the five basic principles.</li> </ul> </li> <li>● <b>Adair (3 circles)</b> – three elements of team, task &amp; individual             <ul style="list-style-type: none"> <li>○ there is clear reference to two of Adair’s three elements in Domino’s ‘TeamSkills’ programme. ‘Team’ is emphasised in the name of the programme, the title of the workers (team members) and in 3 of the 5 basic principles. The ‘Task’ is clear from the mention of ‘on-the-job training’ and the nature of the delivery business and use of IT to improve efficiency.</li> </ul> </li> </ul> <p>Better answers will consider how the leadership theories may be useful, rather than just describing what the theory states about leadership. Answers may question how useful a particular theory is, relative to another, or how relevant any theory is in the real world.</p>

**APPENDIX 1 – GRID FOR 2020 EXAMINATION**

Question	AO1	AO2	AO3	AO4	Total	Quantitative skills
<b>Section A</b>						
1	2	-	-	-	2	
2	2	-	-	-	2	
3	1 (1)	1 (1)	-	-	2	2
4	2	2	-	-	4	
5	2	2	-	-	4	
6	2 (2)	2 (2)	-	-	4	4
7	2	-	-	-	2	
Sub-Total	13	7	-	-	20	6
<b>Section B</b>						
8	1	1	2	-	4	
9	1	1	2	-	4	
10	2	2	2	3	9	
11a	2 (2)	2 (2)	-	-	4	4
11b	2	2	4	7	15	10
12	2	2	2	3	9	
13	2	2	4	7	15	
Sub-Total	12	12	16	20	60	14
<b>Total</b>	25	19	16	20	80	20

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